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ABSTRACT

The report gives a picture, drawn from consumer research, of how the consumer perceives and uses advertising and establishes that the service advertising performs is at least comparable in value to the service it performs for manufacturers. Two major headings are included: (1) Advertising and the Consumer clarifies the terms, "advertising" and "consumers" and notes how advertising and the major social and economic changes over the past 10 years have affected the consumer, especially the housewife; and (2) The Social Criticisms of Advertising lists and explains the criticisms and benefits of advertising. A suggested reading list is included. (SH)

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What Does Advertising Do for the Consumer?

Resource Paper Prepared by the Sub-Council on Advertising and Promotion of the National Business Council for Consumer Affairs

November 1972

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CE 008 162

Honcrable Peter G. Peterson
Secretary of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

In its efforts to identify positive actions which could be taken by advertisers to help anticipate and resolve problems of current concern to the Nation's consumers, the NBCCA Sub-Council on Advertising and Promotion has examined intensively subjects such as the importance of individual policies and procedures, documentation of claims, and the impact of violence portrayed in the media.

As the result of its consideration of these subjects, the Sub-Council recently has published three reports: "Corporate Policies and Procedures on Advertising and Promotion," "Guidelines on Advertising Substantiation," and "Violence and the Media." Each proposes specific actions which can be taken by individual advertisers, actions intended to be of ultimate benefit to consumers.

In addition, the Sub-Council saw the need to help bring greater understanding to issues involving the advertising and promotion functions. As part of this effort, we have developed the attached positioning paper, "What Does Advertising Do for the Consumer?"

Since it does not make recommendations in the same manner as our other documents, we feel this paper should be handled in a separate manner. We are pleased to transmit a copy of this document to you. It is intended for use as a resource paper by members of NBCCA and others interested in helping to stimulate more informed dialogue on a subject of importance to business and consumers alike.

Sincerely,

Robert E. Brooker

Robert E. Brooker
Chairman, National Business
Council for Consumer Affairs

Robert J. Keith

Robert J. Keith
Chairman, Sub-Council on
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Donald S. Perkins

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Archibald McG. Foster
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Advertising and Promotion

What Does Advertising Do for the Consumer?

The whole marketing/distribution/advertising mix is complex. This statement deals with only one aspect—the practical way in which the consumer perceives of and uses advertising. It should be of particular interest to those who are concerned about various aspects of advertising, but who may lack experience as to its usefulness to the consumer.

I. Introduction

Advertising is a subject about which many people have strong opinions. It is one of our most visible forms of communication and people tend to have highly personal reactions to it.

On the other hand, how advertising works is not really visible at all, and while there is much speculation about it, it is not well understood.

The National Business Council for Consumer Affairs thought it might be useful to give you the opportunity to review some of the basic factual and conceptual information on advertising as this is understood through research and hard practical experience by professionals in the field.

You may find it different from what you normally hear about advertising.

Every observer of advertising, of course, has personal reactions to advertising, but what is discussed here has to do with the basic nature of advertising and what is known about the dynamics of its operation.

The fundamental reason why advertising is used is that it is the most inexpensive way for a marketer to communicate with a consumer about his products. This has enabled many marketers to employ an ever-growing production force to provide an increasing number of products to an expanding consumer market. It is generally accepted that this has been of enormous value in promoting the business health of the country and is of major importance in supporting a full employment economy.

But this is only one of the dimensions of advertising.

Advertising is much more complex than this. It is at once a creative art, a science, a business and a social institution.

It is, therefore, not surprising that different people view advertising differently. How advertising is perceived depends on the perspective of the viewer and what he focuses on in perceiving it.

The Marketer	**(how it sells product)**
The Production Worker	**(how it provides and sustains jobs)**
The Advertising Technician	**(how it communicates)**
The Psychologist	**(how to use it effectively)**
The Economist	**(how it affects free competition and the economy)**
The Social Observer	**(how it affects society and life values)**
The Art-Form Observer	**(how aesthetic it is)**
The Government Observer	**(how honest it is)**
The Consumerist	**(how informative it is)**
The Consumer	**?**

Those most directly concerned with advertising know that all advertising is not equally effective, but that when used well, it is a clearly positive force.

Outside observers tend to see advertising as more negative than positive. The core of their concern is the consumer, the vast majority of whom rarely voice their opinions about the fundamental workings of the marketplace.

In expressing concern about the role of advertising in the consumer's life and the need to protect the consumer from possible ill effects from advertising, critics sometimes portray the consumer as rather unintelligent, rather gullible, rather helpless . . . ingesting and acting on advertising like a robot. They do not often see the consumer as receiving meaningful help from advertising.

One need only think about oneself (since we are all consumers in addition to our regular jobs) to know this portrayal is not accurate. Certainly, this is not the consumer to whom the marketer advertises.

The objective of this presentation is to give you the picture, drawn from consumer research, of how the consumer perceives and uses advertising and to establish that the service advertising performs for consumers is at least comparable in value to the service it performs for manufacturers.

II. Advertising and the Consumer

The two generalizations — "advertising" and "consumers" each encompass a very broad spectrum.

- **"Advertising" includes all kinds of messages about products and services emanating from different sources (manufacturers, retailers, etc.) and delivered through all media (TV, radio, magazines, newspapers, outdoor, transportation posters, direct mail, skywriting, bus benches, store circulars, coupons, etc.).**
- **"Consumers" are men, women and children; all ages, incomes and educational levels; all geographic areas in the country; all races, creeds and colors; using all manner of products and services ranging from soup and cola drinks to insurance and cars.**

All advertising cannot possibly be of interest to all consumers (though all advertising will be of interest to some consumers—and all consumers will be interested in some advertising).

Though advertisers attempt to target their message to its intended audience, a penalty of mass media is that this cannot be done with precision. The result—a high volume of advertising to every consumer, a daily parade of several hundred products and services, more than anyone could possibly want, afford or even use.

Isn't this a wasteful process? Isn't it confusing to the consumer? It's neither, and the key to why it's not lies with consumers and what they do with advertising to turn it into a valuable tool for themselves.

Because this is a personal process—different for every consumer and for every buying problem, let's narrow the field down to one kind of consumer (a housewife), one kind of advertising (national advertising in major media), and one kind of environment in which it operates (the supermarket).

The supermarket today is the major outlet for nationally advertised food and related household products. Though not generally recognized, the relationship between national advertising and supermarkets is a very close one, and it is unlikely that supermarkets could exist as we know them, were it not for national advertising which encourages a high level of consumer demand and the required traffic into the stores.

Major social and economic changes have occurred in the past 10 years and today's housewife—and the consumers she represents—reflect these changes.

Only 10 years ago, more than half of all women 25 and over had not finished high school. In 1971, not only are more than half (57%) high school graduates, but 20% have gone on to college. The proportion of college-age women (20-21) who have had some college is almost 40%.

So, today's housewife is better educated than consumers of the past. She also has more money to spend. Her family income (1971) is $9,012—or about $175 a week.

According to an extensive study done by the Kroger Company in Cleveland a few years ago, the typical supermarket customer is 41 years old and represents a family of four—husband, wife and two children. She is an experienced homemaker, though her needs keep changing as her family grows and matures.

At the time of the study she spent 18% of her income for food and household-related items spread out into three shopping trips per week. At current income levels ($175 per week), she is probably spending between $30 and $35 a week now.

She does her major food shopping once a week in a large supermarket where over 7,000 brands, varieties and sizes of items are available for purchase—of which 1,500 (22%) were not there a year ago (A. C. Nielsen Company) and 3,500 (55%) were not there 10 years ago (*Progressive Grocer*). The rate of new product influx means that every week she shops there are some 30 products that were not

there the week before, while almost as many products that were there a week ago are not there now.

She is generally knowledgeable about brands from her trial and use of them, but is interested in the advertising for food and household products because of her need to know. However, like everybody else, she receives far more advertising messages than she can possibly use every day. How does she cope with this?

The answer is very simple. She does with advertising exactly what she does with excesses of information received from any source (too much news, too many facts, too much entertainment, too much gossip, etc.)—she notices what she wants to notice and ignores, overlooks, or forgets the rest.

As clearly pointed out in the 1971 Marketing Science Institute report on advertising, a person accomplishes this by two principal methods:

1. *Selective perception*—a way of screening out of her mind information that is not of any interest. By selective perception, she notices:
   - Women's products more than men's or children's
   - Product classes she uses more than those she doesn't
   - Among products she uses, brands she likes more than those she dislikes; new brands more than old brands; new advertising more than old advertising
   - Sees advertising more clearly when she is about to buy.

   Selective perception operates in every field. The tennis player doesn't notice much about golf. But the golf player does. It enables people to perceive from their environment what they want to perceive.

2. *Message filter*—a matter of the content of advertising and its personal relevance to her.

   She tends to check what she reads and hears against her previous experience, her existing knowledge and attitudes and her personal value system. Only a very few advertisements can come through this filter because:
   - Many add nothing to her knowledge
   - Some say something new but conflict with her knowledge or beliefs
   - A few say something new that links up to her knowledge or beliefs. If so:

— She will listen more carefully
— Remember it better
— Perhaps even plan to look for the advertised product at the store

These two methods effectively remove from her active involvement most of the messages she receives. However, survival of an ad through the filter process does not imply that she "believes" the message. A desire to "try" the product is a tentative acceptance and desire for more complete information.

Brought up from childhood with advertising, the consumer recognizes that advertising is a partisan representation of a product, not a complete textbook description. To evaluate the product, she must see it and use it.

However, advertising has performed its function if it gets the consumer to "want to try."

The best possible action one could get out of willingness to try is exactly that—trial. But even that doesn't always happen. Let's follow our supermarket customer to the store. (Ten million transactions of the type we are about to describe occur in supermarkets daily.)

THE TRIP TO THE SUPERMARKET

Our housewife arrives by car, has given thought to meal planning for the week and knows from store ads (which she regularly reads) what the special prices are today. She doesn't shop from a list, but knows what she must have, what she'd like to have, and has a few notes in her head about what she wants to look at.

In 22 minutes, she selects 28 items for a total cost of $15 at the check-out counter (Kroger study updated to reflect 1971 income).

Let's look in the cart and ask her a few questions. Six of the items are fresh meat, fruit or vegetables which have required no brand choice. Twenty-two are branded items, most of which she also bought last time. She continues with these, not because of the advertising, but because she has used them before and is satisfied with the brands.

A few of the items are brand switches—and represent her experiments for the week. Let's go back on one of these—a new brand of freeze-dried coffee and see what went through her mind and why she made the switch.

THE COFFEE DISPLAY

Over 50 different brands, types and sizes of coffee are displayed in the coffee section. Our shopper normally buys Brand A's regular drip grind coffee. In the past she's tried some other regulars, some instants and some freeze-dried, and now she's heard about new freeze-dried Brand X described in the advertising as "a man's coffee."

Her husband happens to be fussy about coffee, and never really happy with any of the brands of coffee she's tried. So she's going to look at it.

Will Brand X be there? Is it available in the right size? At the right price? In an attractive package? In this particular case, the answer was "yes" on all counts, and she bought it because her husband "may like it . . ."

This becomes a trial encouraged by advertising. She takes it home and uses it for tomorrow's breakfast. If her husband doesn't like it, next week she'll be back to Brand A. If he doesn't notice any difference, it's also likely she'll be back to Brand A because that's her habitual behavior. But if there is something better about Brand X she'll make a more informed judgment in favor of Brand X next week.

How many people will this same ad interest in buying the product? How many wives have husbands who don't like their coffee? Not many—but it's significant to this consumer, since she solved a problem this way.

HOW ADVERTISING WAS USED

Let's think about what we've just seen here. Has advertising dominated the consumer? Or has the consumer dominated advertising? How has she used advertising?

We have seen that:

The consumer does what no advertiser can do for her.

- She limits the amount of information she receives and extracts what is potentially useful to her.

The consumer does what no government agency can do for her.

- She checks the products against *her* wants, *her* purchasing power and *her* family needs and preferences.

The consumer does what no retailer or manufacturer can do.

- In a very real sense, she governs the marketplace by her action of buying or not buying what she feels to be relevant to her family life.

The consumer emerges as a careful, intelligent and efficient shopper whose basic criterion in shopping is essentially her satisfaction with products.

Advertising plays an important role in this by directing her attention to possible ways she may achieve even more satisfaction.

The real role of advertising in the consumer's life thus emerges

- Advertising tells the consumer what's available; offers a parade of suggestions on how she may spend her money; and gives her the freedom to accept or reject these options as she wishes.

Critics of advertising have largely misunderstood this function. They have been so pre-occupied with the role of advertising as a selling tool for the manufacturer that they have failed to see it as an important buying tool for the consumer.

And they have been so concerned with the possibility that advertising can manipulate the consumer that they have failed to see the strength of the consumer.

On the other hand, every advertiser concerned with the success of his advertising has developed a very healthy regard for the consumer. He does a great deal of consumer research. He knows his advertising must reflect the realities of the consumer's life, or the consumer will pay no attention to it. He knows his advertising must reflect the realities of his product, or the consumer will not continue to buy. He knows he can never take the consumer for granted, for there is no such thing as a totally loyal customer. And he knows that in our fast-changing environment, he competes not only with products that are similar to his but with all products, new and old, that compete for the consumer's dollar. He recognizes that a free competitive marketplace depends on the principle that producers submit themselves to the choice of the public and that buyers can choose for themselves according to their preferences.

In broad strokes, this applies to all types of products and services—tangible and intangible—low cost or high cost—frequently or rarely purchased. Advertising presents the options and the consumer selects in light of the physical, social, psychological and economic realities of his or her own life. If he feels he needs more information, he will seek it out. In the final step, he chooses what he feels suits his needs best.

III. The Social Criticisms of Advertising—

and how they are modified by this view of how the consumer uses advertising in the marketplace.

Advertising leads people to buy what they don't need

- Most people today have incomes and spending power beyond the necessities of life. They "want" as well as "need". And who is to draw the fine line between "want" and "need"? Did our supermarket shopper "need" the coffee she bought or did she want it? And if she "wanted" it, wouldn't the least expensive coffee do? Obviously not. The fact is that spending habits change as income changes and yesterday's "wants" become today's "needs."

Advertising over-persuades

- Advertising can only suggest. Our shopper did try a product suggested by advertising, but will never buy it a second time if she perceives it to be inferior.

  Advertising will not work effectively if the product is not fully competitive in value—product quality and price considered. Nor will it work effectively if the product does not deliver what the advertising promised.

Advertising is misleading, sometimes false

- No reputable advertiser deliberately misleads the consumer. Many advertisers go so far as to conduct tests to make sure that consumers perceive from an ad exactly what was intended and nothing more. Nevertheless, in any field of endeavor, there are some dishonest practitioners. There are laws to cope with this, and in addition, the advertising industry is organized for self-regulation. Moreover, the consumer herself, is a formidable regulator.

Advertising creates a barrier to small, innovative companies who may be able to bring the consumer better products

- One need only look at the list of names of such smaller companies and the successes they have had in the marketplace to realize that the consumer recognizes and supports product quality without concern for whether a company is large or small.

  Scott's Liquid Gold
  Sara Lee Bakeries
  Hudson Pulp and Paper
  Chun King
  Green Giant
  Colt 45 Malt Liquor
  Getty Oil

These companies all used advertising to make the consumer aware of their existence and were not handicapped by the fact that they competed with advertising giants.

The consumer, by seeking information from advertising and choosing to buy or not to buy, encourages competition and forces all companies—large and small—to improve products, bring out new ones, find new ways to use old products and generally to keep the marketplace up-to-date.

Advertising deals in marginal differences between products

- When consumers have discretionary income, they are inevitably looking for values beyond the basic necessities of life. They are looking for improved products, extra utilities, new amenities, even luxuries . . .

The addition of countless minor product improvements one on top of the other results in constant, steady upgrading in the quality and convenience of consumer goods.

Advertising deals in satisfactions that are irrelevant and of little interest to most people

- People buy products, but their purpose is to obtain satisfactions.

It is the difficulty of advertising that in using mass media, advertising has to parade in front of the total population a series of product satisfactions which, for any given product, will interest possibly 20% but which may be uninteresting and perhaps even boring for the remaining 80%.

Different kinds of people, different generations, different income and educational levels all have different ideas about what are worthwhile satisfactions.

Further, and most important, the range of human satisfactions is very great and those that appeal to one person are viewed with distaste by another.

Industry responds by making a wide range of products to meet every taste. If industry did not do this, and consumers did not have options from which to choose, much of the value and enjoyment of their increased spending power would be lost.

It is interesting to note that the critics of advertising rarely feel that *they* have been over-persuaded, led to buy

something *they* don't need or can't afford or proved to be irrelevant to *them*. They assume this happens because *they* are resistant to advertising while others are vulnerable. They observe that they don't react to advertising much, but believe others do.

The truth is that we are all resistant to advertising that does not relate well to our needs, problems and desires. Yet all of us can and do react to advertising that talks our language and speaks to our personal needs, problems and desires.

If we can recognize that all advertising is not meant to be useful to all consumers, we will have come a long way.

We can then see that when the right ad reaches the right person—the person for whom it is intended—both the manufacturer and the consumer benefit equally.

This in essence, is advertising at work—a balanced view of both the economic and social benefit of advertising and the reason why it has persisted over the years despite its many critics.

But even this does not yet present the full picture of the benefits that flow to the consumer because of advertising. Consider:

- Advertising makes possible high-volume, low-unit-cost production, which is the single most important factor contributing to low cost for the consumer.

  Some economists argue that advertising raises prices because the end cost to consumers includes the expense of advertising. What they fail to realize is that if a manufacturer were not assured of a market through effective advertising, he could not justify the large capital outlay required for large-scale manufacturing. Without this, he could not offer the product to consumers at the low cost associated with mass production.

- Advertising encourages the introduction of new and improved products in the marketplace. Without advertising, how would the manufacturer bring his new product to consumer attention? And how much time might elapse before consumers were aware that their options in buying were widened, and perhaps improved?

- Advertising makes it possible for consumers to find new products they're interested in at their local retail store. No intelligent retailer will invest his limited capital in an untried new product unless he has some

reason to believe that it will move off his shelf. If he knows that an effort will be made through advertising to encourage initial consumer trial, he is willing to stock the product and give it a chance to prove itself.

- Advertising makes brand name shopping possible, which is one of the most effective consumer protection mechanisms ever devised. In his brand name, the manufacturer puts his reputation on the line and assures consumers of both the quality and uniformity of his product, whenever or wherever they shop.
- Advertising supports our free press, our magazine industry and our broadcast industry. Without advertising, these communications media would never have reached their present level of growth, their present low cost to consumers, and their present importance in consumers' lives.

Consumers do not give much thought to these relationships, yet they benefit from them every day in genuine ways.

The point we want to make is that advertising is of service both to business and the consumer, and it is erroneous to think of advertising's value only in terms of business.

Further, there is a built-in discipline in the marketplace that arises from the interaction of business and the consumer. A manufacturer cannot succeed with advertising unless he understands his consumers and satisfies their desires. If he does not do this the consumer will not pay attention to his advertising or buy his products.

It is fortunate that this is so, because the sheer volume of retail activity in this country—which runs into hundreds of millions (and perhaps billions) of transactions every day —makes the market virtually unpoliceable on any other basis.

No government agency, no matter what its budget or number of employees, can possibly "protect" the consumer on this magnitude of transactions. Only the combination of an informed and critical customer, and an honest businessman can possibly do it. And fortunately, that is the way it usually is.

One further point. Advertising is not a static institution. It evolves as society evolves. It is not the same force today that it was yesterday. And tomorrow, we may be sure, it will be different still.

Its discipline, though, will remain the same—to serve the public—to serve the consumer—because only in this way can it justify its existence.

FTC 10-2

Suggested Reading

Appraising the Economic and Social Effects of Advertising
A Review of Issues and Evidence
Marketing Science Institute Staff Report, October 1971

Consumer Dynamics in the Supermarket
A Study of Food Retailing and the Supermarket Customer
Progressive Grocer in cooperation with Reuben H. Donnelley Corp. and The Kroger Co., 1967

The Next Ten Years in Advertising
Johr W. Hobson
The International Advertiser, Vol. 12, No. 3, 1971

Nielsen Research Underscores Power of New Items
Progressive Grocer, June 1967

How Different Types of Consumers Respond to Lure of New Items
Progressive Grocer, June 1967

Measuring Advertising Readership and Results
Daniel Starch, 1966

Measuring Advertising Effectiveness
Darrell B. Lucas & Steuart H. Britt, 1963

The Powerful Consumer
Psychological Studies of the American Economy
Survey Research Center, The University of Michigan
George Katona, 1960

The Spenders
Steuart Henderson Britt, 1960

Some Basic Convictions About Advertising
Procter & Gamble, Cincinnati, Ohio, 1969

Advertising—Our Most Unadvertised Product
An Address by Sol Goldin, Chairman of the Board, Brand Names Foundation, Inc.
October, 1971

The Supermarket: A Revolution in Distribution
M. M. Zimmerman, 1955

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